



Private Label Food Manufacturing: Resilient Investment Amid Volatility

Inflation, supply chain constraints, tariffs and other macroeconomic variables have increased volatility in recent years. Amid this uncertainty, the food manufacturing and private label industry remains a resilient and attractive investment sector, driven by evolving retailer priorities, changing consumer behavior and an ability to adapt to rapidly shifting economic conditions.

Private label food and beverage products have transformed in recent years, shedding their historical image as value-driven compromises and redefining themselves as competitive, high-quality alternatives for both retailers and consumers. According to Statista, private label food and beverage sales in the U.S. grew at a CAGR of ~9% from 2019-2023. ⁽¹⁾ Lincoln International's global team of dedicated bankers has deep experience driving premium valuations for players in this space, having closed 75 food and beverage deals over the last five years.

This article highlights attractive trends realized in the sector and the potential for continued strong momentum, both for current sponsors seeking to maximize portfolio value and for firms looking to enter this increasingly competitive market.

Source: 1. Statista, "Private Label Market in the U.S."

Unique Benefits to Retailers

Retailers are capitalizing on private label growth and key consumer trends by prioritizing private label offerings over national brands. Several corporations are dedicating robust resources to improve and expand brand offerings, build overall brand reputation and reap the unique advantages of store brands, including:

Product Differentiation from Competitors

Private label products enable retailers to offer exclusive items, helping them stand out in a crowded market. These products are category innovators driving traffic to stores and digital platforms through trend-forward flavors, favorable sustainable practices and elevated packaging.

Heard on the Market:

“Our Brands is an important differentiator for our business, providing Kroger the ability to offer unique and high-quality products at an exceptional value,” said Kroger interim CFO Todd Foley to investors in March 2025.

Builds Retailer Brand Value

Market research shows the development of strong private label brands enhances a retailer’s overall brand identity by creating a perception of quality and reliability, fostering consumer trust and loyalty. More than 90% of Kroger’s customer households in 2024 purchased Our Brands products,⁽²⁾ illustrating the deep trust customers have for the store brand. In the club store space, Costco’s private label product sales make up about one-third of total sales.⁽³⁾

Heard on the Market:

“Kirkland Signature continues to grow at a faster pace than our business as a whole,” said Gary Millerchip, Costco’s executive vice president and chief financial officer in 2024. “Our goal is always to be the first to lower prices where we see the opportunities to do so.”

Sources: 2. Kroger, FQ4 Earnings Call, March 6, 2025.

3. Costco, FQ2 Earnings Call, March 6, 2025.

Higher Gross Margin for the Retailer

Private label products offer higher profit margins, as retailers can “cut out the middlemen”—namely branded distributors, wholesalers and established food brands. By producing and selling store brands, retailers can offer high-quality products at attractive prices while maintaining healthy margins. Additionally, creating private label offerings provides retailers with detailed knowledge of cost inputs associated with different goods, creating valuable negotiating leverage with existing national brands.

Attractive in Both Brick-and-Mortar and E-commerce Channels

Store brands are successfully utilized in the e-commerce channel. Since 2009, Amazon has dedicated significant resources to building out a robust lineup of private label offerings through Amazon Basics and other brands. Within food and beverage, the company has developed a formidable portfolio of private label offerings including select brands like 365, Happy Belly and Amazon Saver.

Seen on the Market:

Amazon Saver, a “no-frills” private label brand with most items priced under \$5, was launched in September of 2024. Amazon’s continued investment in private label products demonstrates the scalability and profitability of offerings in e-commerce platforms.⁽⁴⁾

Leverages Retailers’ Distribution Platforms

Retailers can efficiently distribute private label products through existing networks, optimizing supply chains and ensuring product availability. Retailers like Walmart have spent billions of dollars over decades building warehouse and distribution capabilities, and private label products provide an excellent opportunity to further leverage this infrastructure.

Increased Consumer Optionality

Private label offerings provide retailers a wider range of choices through unique flavors, healthier options and different price tiers, catering to a wide variety of consumer preferences. Retailers are taking action to increase consumer choices, as evidenced by Kroger introducing over 900 Our Brands products in 2024.⁽²⁾ Demonstrated, broad consumer support has further established private label offerings in its prominent position in the food and beverage sector.

Seen on the Market:

Target recently announced a variety of seasonal whipped cream and cold foam flavors, including lavender lemonade, peaches and cream and white chocolate cold foam. An announcement on a popular Instagram account generated over 35,000 likes.⁽⁵⁾

Sources: 4. Food Business News, “Amazon Debuts ‘No Frills’ Grocery Brand.”

5. The Atlantic, “The End of the ‘Generic’ Grocery-Store Brand.”

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Consumer Perception and Behavior

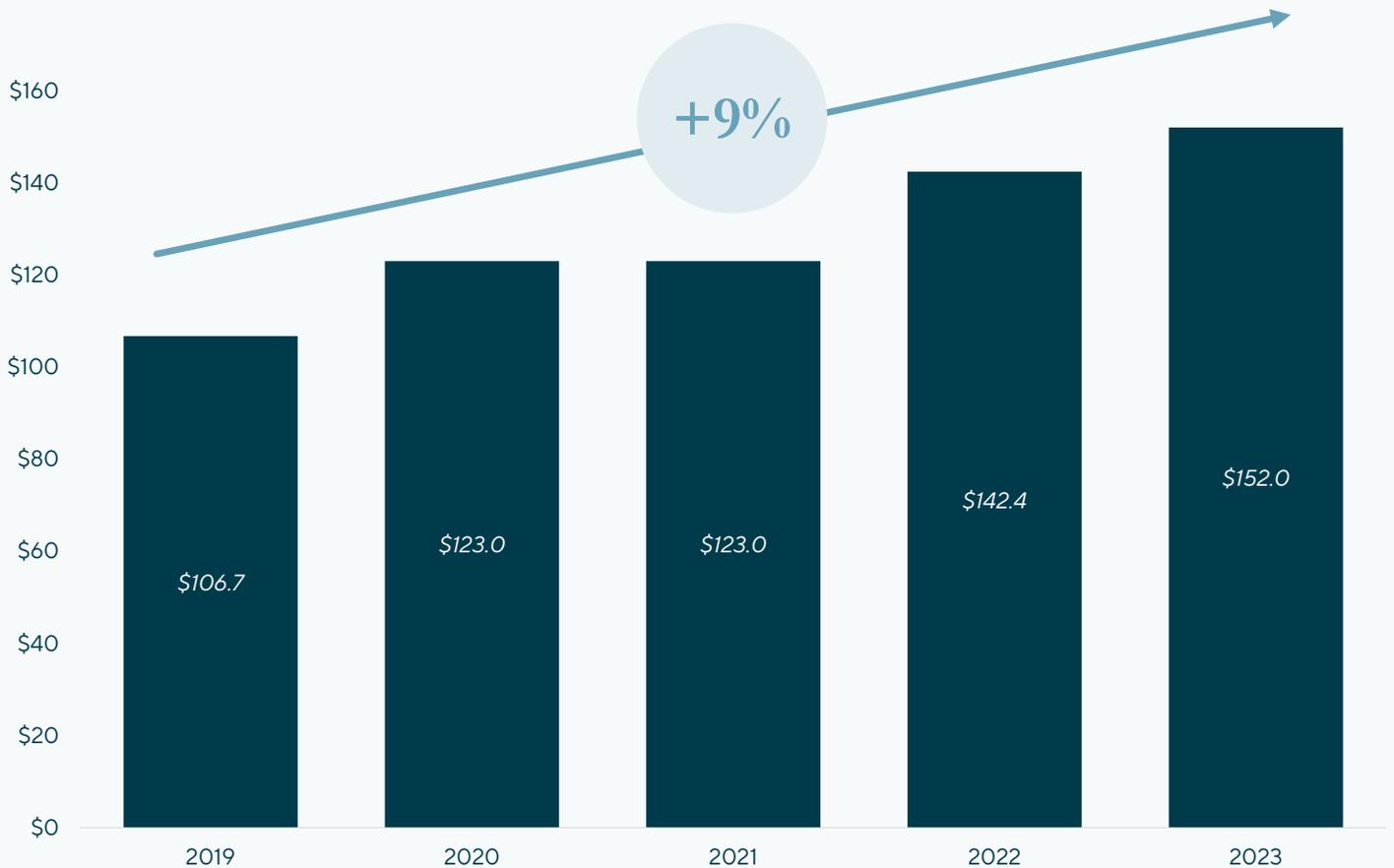
Consumer perception of private label products has undergone a dramatic shift, from being largely viewed as a price-driven compromise to now a viable, competitive alternative.

Increase in Quality and Consumer Appeal

Modernized packaging and branding and improved quality have elevated private label products to make them more competitive with national brands. Recent data details that nearly half of consumers are buying more private label products than ever before, and 72% of consumers now view private label products as a strong alternative to name brands, signaling a major shift in consumer perception from a “compromise” to a “choice.”⁽⁶⁾

Sources: 6. NielsenIQ, “Private Label and Branded Products: A Changing Shelvescape.”

Private Label Food & Beverage Sales in the U.S. (\$ in billions)



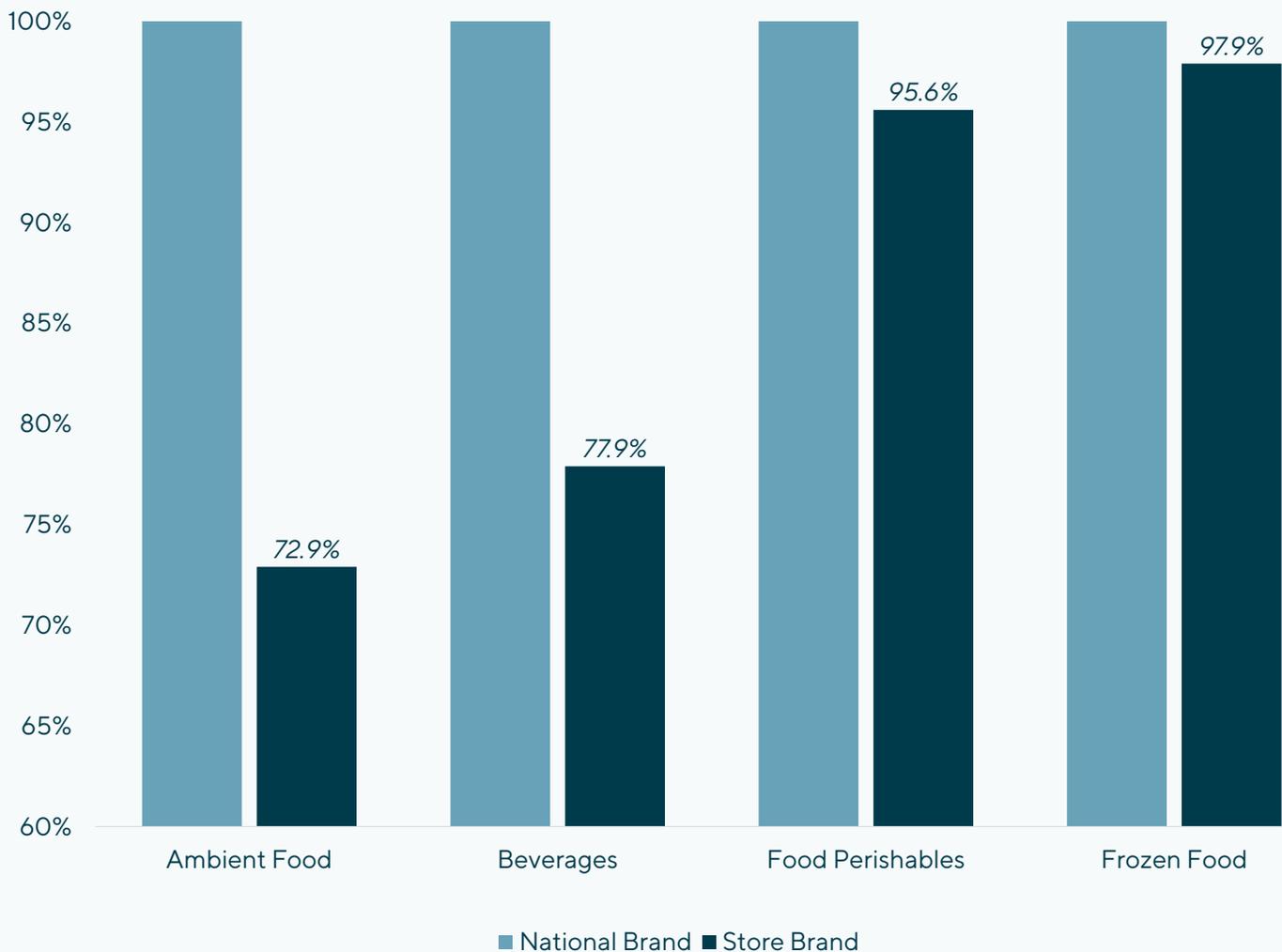
Source: Statista, 2024

High Quality Products at Reduced Prices

Consumers are navigating a tumultuous economic environment, where increased food prices have shifted spending toward “Food At Home” (FAH) rather than dining out. Excluding households in the top 20% income quartile, consumers are spending roughly 1.5–2.0 times more on FAH compared to pre-COVID levels.⁽⁷⁾ Price savings remain attractive to many, and during uncertain macroeconomic environments, many consumers are more likely to choose private label products due to their affordability and comparable quality. Given the evolution of consumer attitude, the allocation of FAH gross profit dollars attributed to private label offerings is forecasted to grow ~500 bps from 2023–2040.⁽⁷⁾

Sources: 7. Morgan Stanley, “Private Label Tipping Point”

National Brand Pricing Vs. Store Brand Pricing (illustrated as a % of National Brand Price)

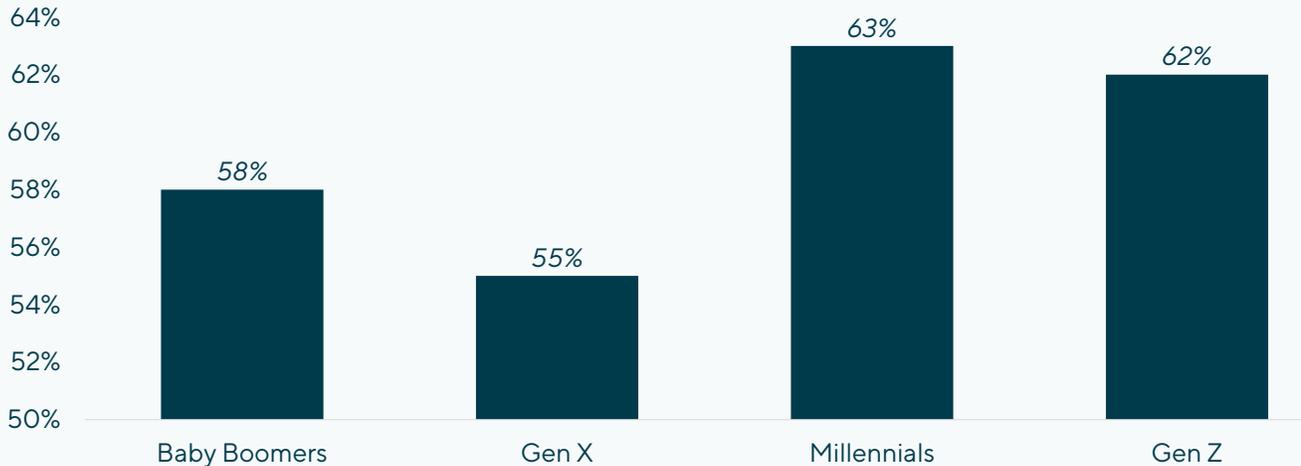


Source: Store Brands, 2025

Consistent and Attractive Demographic Dynamics

Increased adoption of private label products has generated strong consumer trust in the sector across generations, with attractively higher rates in two groups still growing into peak spending years: Millennials and Gen Z. With ever-evolving consumer preferences that can vary across different generations of the population, food manufacturers offer a diversified approach to capturing sector tailwinds.

Trust in Store Brands Across Generations



Source: NielsenIQ, 2025

Stable Growth by Adapting to Change

The food industry is characterized by constantly changing consumer preferences, which can increase the risk associated with investing in individual food brands. However, food manufacturers, especially those producing private label products, offer more stable growth.

New Food Brands Face Intense Competition

Emerging food brands that aim to scale—often referred to as “growth food brands”—must consider several factors that drive a product’s success, including consumer preferences, quality and taste, marketing strategies, branding and competition. Compounding the challenge, the retail landscape is becoming more restrictive, with reductions in supermarket square footage and a decline in unique product offerings. Between 2009 and 2023, square footage in supercenters and supermarkets decreased 5% and 3.3% respectively. Additionally, between 2020 and 2023, retailers cut unique products by approximately 9%.⁽⁸⁾

With intense competition across product categories, nearly 80% of new food products fail.⁽⁹⁾ Private label food manufacturers enjoy more staying power because they are producing on behalf of large retailer partners with long-term brand appeal.

Sources: 8. Wall Street Journal, “Stress on Shelves – the Battle for Space in Store Aisles.”

9. Food Biz Mentoring, “What is the Success Rate of New Food Products.”

Manufacturers as Retailer Partners

Retailers have an increasing need for outside manufacturers to fill the growing desire for private label offerings. Successful private label manufacturers collaborate closely with partnered retailers to provide innovation and premiumization. With the large amount of data retailers collect from customers, manufacturers benefit from critical insights into consumer behavior, which helps in the successful development of increasingly specialized product offerings. The best food manufacturers have the operational flexibility and expertise to develop innovative products while maintaining strict quality control.

Seen on the Market:

Kroger partners with outside manufacturers to produce ~70% of their Our Brands items.⁽¹⁰⁾

Source: 10. Kroger, 2024 10K.

11. Store Brands, "Consumer Trust in Private Label Offers Growth Opportunities."

Conclusion

The food manufacturing and private label industry presents a compelling investment opportunity at all times, including during periods of volatility and macroeconomic uncertainty. Retailers show an increasing preference for private-label products due to increased margin control, strengthened brand awareness and differentiation. Consumer demand also reflects a long-term shift toward private label products, particularly during times of economic uncertainty. As an overall sector, private label manufacturers are uniquely able to respond quickly to market change and endure volatility.

Consumer demand for food products is durable and is expected to continue growing, particularly for private label items. Retailers and food manufacturers that can innovate and adapt to changing preferences will be well-positioned to thrive in this environment. For investors seeking a stable and resilient sector, the food manufacturing and private label industry offers a promising avenue for growth and profitability.

Lincoln's team of dedicated food and beverage bankers has the expertise to position private label food manufacturers to deliver the highest value in the market. Lincoln has recently completed private label and food manufacturing transactions for several businesses, including Bil-Jac Foods, Quaker Valley Foods, McClancy Foods & Flavors, Delorio Foods, Wellness Pet Company, Richelieu Foods, Perfection Pet Foods and GoodWest Industries. Contact us to discuss the private label manufacturing sector and how this category will continue to deliver investor value in today's volatile market.

Ready to discuss the opportunities ahead for you?

Connect with a senior professional at connect@lincolninternational.com